



LINCOLN TELEPHONE COMPANY, INC.

# LIFELINE FORM

☐ Initial Lifeline Enrollment

☐ Re-Verification of Lifeline Enrollment

## PERSONAL INFORMATION

PLEASE FILL OUT THE FOLLOWING INFORMATION:

First Name: \_\_\_\_\_ Middle Initial: \_\_\_\_\_

Last Name: \_\_\_\_\_ Birth Date: \_\_\_\_\_

Phone Number: \_\_\_\_\_ Alternate Phone Number: \_\_\_\_\_

E-mail Address: \_\_\_\_\_

Residential Address (No PO Boxes, must be your physical address)

Street Address: \_\_\_\_\_

Name of Apt. Complex/Multi Resident Facility: \_\_\_\_\_

Apt. No.: \_\_\_\_\_ Multi Resident Facility Room/Bed No.: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

This address is:

☐ Permanent ☐ Temporary ☐ Multi-household

I share an address with another person(s) over the age of 18. However, they do not contribute to my household or share in the household expenses. ☐ Yes ☐ No (If yes, please complete the Household Worksheet on Page 2. If no, you can skip the Household Worksheet.)

## ELIGIBILITY

QUALIFYING BENEFICIARY (Please complete if you or a dependent in your household is receiving benefits from one or more of the programs listed below.)

First Name: \_\_\_\_\_ MI: \_\_\_\_\_ Last Name: \_\_\_\_\_

PLEASE CHECK ALL THAT APPLY AND PRESENT DOCUMENTATION PROVING PROGRAM PARTICIPATION:

☐ Food Stamps (SNAP) ☐ Federal Housing Assistance (Section 8) ☐ Low Income Home Energy Assistance Program

☐ Supplemental Security Income (SSI) ☐ National School Lunch (Free Program Only) ☐ Medicaid

☐ Temporary Assistance for Needy Families

☐ Income qualification: Person's whose household income is at or below 13% of national poverty level qualify.

How many people are in your household? \_\_\_\_\_

Qualifying income per person:

(1) \$15,080 (2) \$20,426 (3) \$25,772 (4) \$31,118 (5) \$36,464 (Add \$5,346 for each additional person.)

TO QUALIFY BASED ON YOUR INCOME YOU MUST PROVIDE COPIES OF ONE OR MORE OF THE DOCUMENTS LISTED BELOW.

- 3 Consecutive Paystubs
- Social Security Benefits Statement
- Unemployment/Workers Compensation Benefits Statement
- Divorce Decree or Child Support Document
- Retirement/Pension Benefit Statement
- Veterans Administration Benefits Statement
- Prior Year's State or Federal Tax Return

## CERTIFICATIONS

PLEASE READ AND ACKNOWLEDGE YOU AGREE BY INITIALING EACH STATEMENT BELOW:

\_\_\_\_\_ I understand that Lifeline is a federal government benefit program and that only qualified person may participate in the program.

\_\_\_\_\_ I understand that Lifeline is only available for one phone line per household, whether landline or wireless. To the best of my knowledge no one in my household is receiving Lifeline benefits.

\_\_\_\_\_ I certify that I am at least 18 years of age and not currently receiving a Lifeline telephone service from any other landline or wireless telephone company. I understand that any violation of the one phone line per household limitation will result in de-enrollment from the Lifeline program and may be punished by fine or imprisonment.

\_\_\_\_\_ I will not transfer my service to any other individual, including another eligible low-income consumer.

\_\_\_\_\_ I understand that I will be required to recertify my eligibility for Lifeline service at least annually, and that failure to do so will result in termination of Lifeline benefits. I will notify Lincoln Telephone immediately if I no longer qualify.

\_\_\_\_\_ I will notify Lincoln Telephone within thirty (30) days if my home address changes. Failure to provide such notification may result in de-enrollment from the program.

\_\_\_\_\_ I understand that completion of this application and provision of documentation does not constitute immediate approval for Lifeline services.

#### HOUSEHOLD WORKSHEET

*You have been asked to complete this Worksheet because you share an address with another person that may have, or be eligible for Lifeline services. This other person may not be a part of your household. Please answer the questions below to determine whether there is more than one household residing at your address.*

1. Does your spouse or domestic partner (that is, someone you are married to or in a relationship with) already receive a Lifeline-discounted phone? (check no if you do not have a spouse or partner)        YES        NO
  - If you checked **YES**, you may not sign up for Lifeline because someone in your household already receives Lifeline. Only ONE Lifeline discount is allowed per household.
  - If you checked **NO**, please answer question #2.
2. Other than a spouse or partner, do other adults (people over the age of 18 or emancipated minors) live with you at your address?
  - A. A parent        YES        NO
  - B. An adult son or daughter        YES        NO
  - C. Another adult relative (such as a sibling, aunt, cousin, grandparent, grandchild, etc.)        YES        NO
  - D. An adult roommate        YES        NO
  - E. Other                   YES        NO
  - If you checked **NO** for each statement above, you do not need to answer the remaining questions. Please initial line B, below, and sign and date the worksheet.
  - If you checked **YES**, please answer question #3.
3. Do you share living expenses (bills, food, etc.) and share income (either your income, the other person's income or both incomes together) with at least one of the adults listed above in question #2?        YES        NO
  - If you checked **NO**, then your address includes **more than one household**. Please initial lines A and B below, and sign and date the worksheet.
  - If you checked **YES**, then your address includes only **one household**. You may not sign up for Lifeline because someone in your household already receives Lifeline.

- A.        I certify that I live at an address occupied by multiple households.

B.        I understand that violation of the one-per-household requirement is against the Federal Communication Commission's rules and may result in me losing my Lifeline benefits, and potentially, prosecution by the United States government.

*By signing below I am certifying that all information contained on this form and in my documentation is true and correct. I understand that if I knowingly provide false information in order to obtain Lifeline benefits that I will be guilty of perjury which is punishable by fines or imprisonment up to five years.*

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

**Submit your completed form and your supporting documentation using one of the following methods:**

**Mail:**

Lincoln Telephone  
111 Stemple Pass Rd  
Lincoln, Mt 59639

Fax: 406-362-4606

Drop off at the Lincoln Telephone office - 111 Stemple Pass Rd.

#### LINTEL USE ONLY

Date Form and Document Received: \_\_\_\_\_ Customer SPID: \_\_\_\_\_

Specific Documentation Provided by Customer Supporting Eligibility: \_\_\_\_\_

Lincoln Telephone Company, Inc.  
482244mt3012

No anchor institutions required or requested broadband service in 2014. Lincoln Telephone Company, Inc. continues to monitor customer demand and technological innovation, planning to size its network in anticipation of requests and demand for higher speed broadband needs.



|  |  |  |                                       |
|--|--|--|---------------------------------------|
| <b>USDA-RUS</b><br><br><b>OPERATING REPORT FOR<br/>TELECOMMUNICATIONS BORROWERS</b>  |  | This data will be used by RUS to review your financial situation. Your response is required by 7 U.S.C. 901 et seq. and, subject to federal laws and regulations regarding confidential information, will be treated as confidential.<br><b>BORROWER NAME</b><br><br>Lincoln Telephone Company, Inc.<br><br>(Prepared with Audited Data) |                                       |
| <b>INSTRUCTIONS</b> -Submit report to RUS within 30 days after close of the period.<br>For detailed instructions, see RUS Bulletin 1744-2. Report in whole dollars only.   |  | <b>PERIOD ENDING</b><br>December, 2014   | <b>BORROWER DESIGNATION</b><br>MT0525 |
| <b>CERTIFICATION</b><br>We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.<br><b>ALL INSURANCE REQUIRED BY 7 CFR PART 1788, CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.</b><br><br><b>DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1788 OF 7CFR CHAPTER XVII</b><br>(Check one of the following) |  |  |                                       |
| <input checked="" type="checkbox"/> All of the obligations under the RUS loan documents have been fulfilled in all material respects.  |  | <input type="checkbox"/> There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in the Telecom Operating Report  |                                       |
| Kenneth Lumpkin  |  | 4/14/2015<br>DATE  |                                       |

  

| PART A. BALANCE SHEET                    |                       |                          |   |                       |                          |
|--|-----------------------|--------------------------|---|-----------------------|--------------------------|
| ASSETS                                   | BALANCE<br>PRIOR YEAR | BALANCE<br>END OF PERIOD | LIABILITIES AND STOCKHOLDERS' EQUITY                          | BALANCE<br>PRIOR YEAR | BALANCE<br>END OF PERIOD |
| <b>CURRENT ASSETS</b>                    |                       |                          | <b>CURRENT LIABILITIES</b>                                    |                       |                          |
| 1. Cash and Equivalents                  | 773,154               | 153,327                  | 25. Accounts Payable  | 533,134               | 13,262                   |
| 2. Cash-RUS Construction Fund            | 0                     | 0                        | 26. Notes Payable   | 0                     | 0                        |
| 3. Affiliates:                           |                       |                          | 27. Advance Billings and Payments                             | 0                     | 0                        |
| a. Telecom, Accounts Receivable          | 87,184                | 81,239                   | 28. Customer Deposits   | 2,100                 | 2,050                    |
| b. Other Accounts Receivable             | 119,718               | 197,011                  | 29. Current Mat. L/T Debt                                     | 66,943                | 70,101                   |
| c. Notes Receivable                      | 0                     | 0                        | 30. Current Mat. L/T Debt-Rur. Dev.                           | 0                     | 0                        |
| 4. Non-Affiliates:                       |                       |                          | 31. Current Mat.-Capital Leases                               |                       | 0                        |
| a. Telecom, Accounts Receivable          | 0                     | 0                        | 32. Income Taxes Accrued                                      | 50                    | 0                        |
| b. Other Accounts Receivable             | 0                     | 0                        | 33. Other Taxes Accrued                                       | 28,785                | 34,685                   |
| c. Notes Receivable                      | 0                     | 0                        | 34. Other Current Liabilities                                 | 4,781                 | 6,150                    |
| 5. Interest and Dividends Receivable     | 0                     | 0                        | 35. Total Current Liabilities (25 thru 34)                    | 635,793               | 126,248                  |
| 6. Material-Regulated                    | 21,959                | 52,998                   | <b>LONG-TERM DEBT</b>   |                       |                          |
| 7. Material-Nonregulated                 | 1,518                 | 1,899                    | 36. Funded Debt-RUS Notes                                     | 606,406               | 570,080                  |
| 8. Prepayments                           | 10,172                | 20,293                   | 37. Funded Debt-RTB Notes                                     | 0                     | 0                        |
| 9. Other Current Assets                  | 18,011                | 1,909                    | 38. Funded Debt-FFB Notes                                     | 0                     | 0                        |
| 10. Total Current Assets (1 Thru 9)      | 1,031,716             | 508,676                  | 39. Funded Debt-Other   | 89,760                | 56,165                   |
| <b>NONCURRENT ASSETS</b>                 |                       |                          | 40. Funded Debt-Rural Develop. Loan                           | 0                     | 0                        |
| 11. Investment in Affiliated Companies   |                       |                          | 41. Premium (Discount) on L/T Debt                            | 0                     | 0                        |
| a. Rural Development                     | 0                     | 0                        | 42. Reacquired Debt   | 0                     | 0                        |
| b. Nonrural Development                  | 0                     | 0                        | 43. Obligations Under Capital Lease                           | 0                     | 0                        |
| 12. Other Investments                    |                       |                          | 44. Adv. From Affiliated Companies                            | 0                     | 0                        |
| a. Rural Development                     | 788,613               | 794,833                  | 45. Other Long-Term Debt                                      | 0                     | 0                        |
| b. Nonrural Development                  | 0                     | 0                        | 46. Total Long-Term Debt (36 thru 45)                         | 696,166               | 626,245                  |
| 13. Nonregulated Investments             | 35,341                | 29,654                   | <b>OTHER LIAB. &amp; DEF. CREDITS</b>                         |                       |                          |
| 14. Other Noncurrent Assets              | 0                     | 0                        | 47. Other Long-Term Liabilities                               | 823,852               | 813,091                  |
| 15. Deferred Charges                     | 0                     | 0                        | 48. Other Deferred Credits                                    | 258,155               | 401,958                  |
| 16. Jurisdictional Differences           | 0                     | 0                        | 49. Other Jurisdictional Differences                          | 0                     | 0                        |
| 17. Total Noncurrent Assets (11 thru 16) | 823,954               | 824,487                  | 50. Total Other Liabilities and Deferred Credits (47 thru 49) | 1,082,007             | 1,215,049                |
| <b>PLANT, PROPERTY, AND EQUIPMENT</b>    |                       |                          | <b>EQUITY</b>   |                       |                          |
| 18. Telecom, Plant-in-Service            | 7,258,481             | 7,620,365                | 51. Cap. Stock Outstand. & Subscribed                         | 2,450                 | 2,450                    |
| 19. Property Held for Future Use         | 0                     | 0                        | 52. Additional Paid-in-Capital                                | 0                     |                          |
| 20. Plant Under Construction             | 0                     | 35,309                   | 53. Treasury Stock  | (2,240)               | (2,240)                  |
| 21. Plant Adj., Nonop. Plant & Goodwill  | 0                     | 0                        | 54. Membership and Cap. Certificates                          | 0                     | 0                        |
| 22. Less Accumulated Depreciation        | 4,573,020             | 4,922,004                | 55. Other Capital   | 0                     | 0                        |
| 23. Net Plant (18 thru 21 less 22)       | 2,685,461             | 2,733,670                | 56. Patronage Capital Credits                                 | 0                     | 0                        |
| 24. TOTAL ASSETS (10+17+23)              |                       |                          | 57. Retained Earnings or Margins                              | 2,126,955             | 2,099,081                |
|  | 4,541,131             | 4,066,833                | 58. Total Equity (51 thru 57)                                 | 2,127,165             | 2,099,291                |
|  |                       |                          | 59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)                | 4,541,131             | 4,066,833                |

Total Equity = 51.62% % of Total Assets

| <b>USDA-RUS</b><br><br><b>OPERATING REPORT FOR<br/>TELECOMMUNICATIONS BORROWERS</b> |                  | <b>BORROWER DESIGNATION</b><br><br>MT0525  |
|---|------------------|--|
| <b>INSTRUCTIONS- See RUS Bulletin 1744-2</b>  |                  | <b>PERIOD ENDING</b><br><br>December, 2014 |
| <b>PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS</b>                |                  |  |
| ITEM  | PRIOR YEAR       | THIS YEAR                                  |
| 1. Local Network Services Revenues  | 226,793          | 219,563                                    |
| 2. Network Access Services Revenues   | 1,101,127        | 1,181,302                                  |
| 3. Long Distance Network Services Revenues  | 6                | 0  |
| 4. Carrier Billing and Collection Revenues  | 936              | 0  |
| 5. Miscellaneous Revenues   | 2,333            | 1,653                                      |
| 6. Uncollectible Revenues   | 15,520           | 2,941                                      |
| <b>7. Net Operating Revenues (1 thru 5 less 6)</b>                                  | <b>1,315,675</b> | <b>1,399,577</b>                           |
| 8. Plant Specific Operations Expense  | 518,882          | \$84,435                                   |
| 9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)     | 19,046           | 26,608                                     |
| 10. Depreciation Expense  | 252,302          | 293,688                                    |
| 11. Amortization Expense  | 0                | 0  |
| 12. Customer Operations Expense   | 120,795          | 111,370                                    |
| 13. Corporate Operations Expense  | 391,035          | 387,535                                    |
| <b>14. Total Operating Expenses (8 thru 13)</b>                                     | <b>1,302,060</b> | <b>1,403,636</b>                           |
| 15. Operating Income or Margins (7 less 14)   | 13,615           | (4,059)                                    |
| 16. Other Operating Income and Expenses   | 0                | 0  |
| 17. State and Local Taxes   | (17,321)         | (13,429)                                   |
| 18. Federal Income Taxes  | (74,504)         | 103,287                                    |
| 19. Other Taxes   | 31,506           | 36,760                                     |
| <b>20. Total Operating Taxes (17+18+19)</b>   | <b>(60,319)</b>  | <b>126,618</b>                             |
| 21. Net Operating Income or Margins (15+16-20)                                      | 73,934           | (130,677)                                  |
| 22. Interest on Funded Debt   | 35,774           | 36,079                                     |
| 23. Interest Expense - Capital Leases   | 0                | 0  |
| 24. Other Interest Expense  | 166              | 521  |
| 25. Allowance for Funds Used During Construction                                    | 0                | 0  |
| <b>26. Total Fixed Charges (22+23+24-25)</b>  | <b>35,940</b>    | <b>36,600</b>                              |
| 27. Nonoperating Net Income   | 119,862          | 105,668                                    |
| 28. Extraordinary Items   | 0                | 0  |
| 29. Jurisdictional Differences  | 0                | 0  |
| 30. Nonregulated Net Income   | 140,949          | 131,735                                    |
| <b>31. Total Net Income or Margins (21+27+28+29+30-26)</b>                          | <b>298,805</b>   | <b>70,126</b>                              |
| 32. Total Taxes Based on Income   | 0                | 0  |
| 33. Retained Earnings or Margins Beginning-of-Year                                  | 1,926,360        | 2,127,165                                  |
| 34. Miscellaneous Credits Year-to-Date  | 0                | 0  |
| 35. Dividends Declared (Common)   | 0                | 0  |
| 36. Dividends Declared (Preferred)  | 98,000           | 98,000                                     |
| 37. Other Debits Year-to-Date   | 0                | 0  |
| 38. Transfers to Patronage Capital  | 0                | 0  |
| <b>39. Retained Earnings or Margins End-of-Period [(31+33+34) - (35+36+37+38)]</b>  | <b>2,127,165</b> | <b>2,099,291</b>                           |
| 40. Patronage Capital Beginning-of-Year   | 0                | 0  |
| 41. Transfers to Patronage Capital  | 0                | 0  |
| 42. Patronage Capital Credits Retired   | 0                | 0  |
| <b>43. Patronage Capital End-of-Year (40+41-42)</b>                                 | <b>0</b>         | <b>0</b>                                   |
| 44. Annual Debt Service Payments  | 126,419          | 102,843                                    |
| 45. Cash Ratio [(14+20-10-11) / 7]  | 0.7520           | 0.8835                                     |
| 46. Operating Accrual Ratio [(14+20+26) / 7]  | 0.9711           | 1.1195                                     |
| 47. TIER [(31+26) / 26]   | 9.3140           | 2.9160                                     |
| 48. DSCR [(31+26+10+11) / 44]   | 4.6437           | 3.8934                                     |



|  |  |                      |           |
|--|--|----------------------|-----------|
| USDA-RUS   |  | BORROWER DESIGNATION |           |
| OPERATING REPORT FOR<br>TELECOMMUNICATIONS BORROWERS                             |  | MT0525               |           |
|  |  | PERIOD ENDED         |           |
| INSTRUCTIONS – See help in the online application.                               |  | December, 2014       |           |
| PART I – STATEMENT OF CASH FLOWS   |  |                      |           |
| 1.   | Beginning Cash (Cash and Equivalents plus RUS Construction Fund)   |                      | 773,154   |
| CASH FLOWS FROM OPERATING ACTIVITIES   |  |                      |           |
| 2.   | Net Income   |                      | 70,126    |
| Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities |  |                      |           |
| 3.   | Add: Depreciation  |                      | 293,688   |
| 4.   | Add: Amortization  |                      | 0         |
| 5.   | Other (Explain)<br>Non regulated depreciation  |                      | 55,296    |
| Changes in Operating Assets and Liabilities                                      |  |                      |           |
| 6.   | Decrease/(Increase) in Accounts Receivable   |                      | (71,348)  |
| 7.   | Decrease/(Increase) in Materials and Inventory   |                      | (31,420)  |
| 8.   | Decrease/(Increase) in Prepayments and Deferred Charges  |                      | (10,121)  |
| 9.   | Decrease/(Increase) in Other Current Assets  |                      | 16,102    |
| 10.  | Increase/(Decrease) in Accounts Payable  |                      | (519,872) |
| 11.  | Increase/(Decrease) in Advance Billings & Payments   |                      | 0         |
| 12.  | Increase/(Decrease) in Other Current Liabilities   |                      | 7,219     |
| 13.  | Net Cash Provided/(Used) by Operations   |                      | (190,330) |
| CASH FLOWS FROM FINANCING ACTIVITIES   |  |                      |           |
| 14.  | Decrease/(Increase) in Notes Receivable  |                      | 0         |
| 15.  | Increase/(Decrease) in Notes Payable   |                      | 0         |
| 16.  | Increase/(Decrease) in Customer Deposits   |                      | (50)      |
| 17.  | Net Increase/(Decrease) in Long Term Debt (Including Current Maturities)                                   |                      | (66,763)  |
| 18.  | Increase/(Decrease) in Other Liabilities & Deferred Credits  |                      | 133,042   |
| 19.  | Increase/(Decrease) in Capital Stock, Paid-in Capital, Membership and Capital Certificates & Other Capital |                      | 0         |
| 20.  | Less: Payment of Dividends   |                      | (98,000)  |
| 21.  | Less: Patronage Capital Credits Retired  |                      | 0         |
| 22.  | Other (Explain)  |                      |           |
| 23.  | Net Cash Provided/(Used) by Financing Activities   |                      | (31,771)  |
| CASH FLOWS FROM INVESTING ACTIVITIES   |  |                      |           |
| 24.  | Net Capital Expenditures (Property, Plant & Equipment)   |                      | (397,193) |
| 25.  | Other Long-Term Investments  |                      | (533)     |
| 26.  | Other Noncurrent Assets & Jurisdictional Differences   |                      | 0         |
| 27.  | Other (Explain)  |                      |           |
| 28.  | Net Cash Provided/(Used) by Investing Activities   |                      | (397,726) |
| 29.  | Net Increase/(Decrease) in Cash  |                      | (619,827) |
| 30.  | Ending Cash  |                      | 153,327   |

Revision Date 2010

## INDEPENDENT AUDITORS' REPORT

**To the Board of Directors  
Lincoln Telephone Company, Inc.  
Lincoln, MT**

We have audited the accompanying financial statements of Lincoln Telephone Company, Inc., which comprise the balance sheets as of December 31, 2014 and 2013, and the related statements of income and retained earnings, and cash flows for the years then ended and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lincoln Telephone Company, Inc. as of December 31, 2014 and 2013, and the results of operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated March 1, 2015 on our consideration of Lincoln Telephone Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lincoln Telephone Company's internal control over financial reporting and compliance.

**Other Matters**

In accordance with 7 CFR Part 1773, Policy of Audits of Rural Utilities Service Borrowers, section 1773.33, we have also issued a report dated March 1, 2015 on our consideration of Lincoln Telephone Company's compliance with aspects of contractual agreements and regulatory requirements for telecommunication borrowers. The purpose of that report was to provide comments on specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters, and not to provide an opinion on internal control over financial reporting, or on compliance with specific RUS loan and security instrument provisions, and other additional matters.

*Amatic's CPA Group*

Bozeman, Montana  
March 1, 2015



**AMATICS**220 West Lamme St Ste 3A  
Bozeman, MT 59715P. O. Box 1207  
Bozeman, MT 59771P 406.404.1925  
F 406.404.1926

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Lincoln Telephone Company, Inc.  
Lincoln, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Lincoln Telephone Company, Inc. and for the year ended December 31, 2014, and the related notes to the financial statements, and have issued our report thereon dated March 1, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Lincoln Telephone Company's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lincoln Telephone Company's internal control. Accordingly, we do not express an opinion on the effectiveness of Lincoln Telephone Company's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



AmaticsCPA.com

## Independent Auditors' Report on Internal Control and Other Matters

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lincoln Telephone Company's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bozeman, Montana  
March 1, 2015





**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH ASPECTS OF  
CONTRACTUAL AGREEMENTS AND REGULATORY REQUIREMENTS FOR  
TELECOMMUNICATION BORROWERS**

Board of Directors  
Lincoln Telephone Company, Inc.  
Lincoln, Montana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Lincoln Telephone Company, Inc. (LTC), which comprise the balance sheet as of December 31, 2014, and the related statements of income and retained earnings, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 1, 2015. In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2015, on our consideration of LTC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. No reports other than the reports referred to above which are related to our audit have been furnished to management.

In connection with our audit, nothing came to our attention that caused us to believe that LTC failed to comply with the terms, covenants, provisions, or conditions of their loan, grant, and security instruments as set forth in 7 CFR Part 1773, *Policy on Audits of Rural Utilities Service Borrowers*, §1773.33 and clarified in the RUS policy memorandum dated February 7, 2014, insofar as they relate to accounting matters as enumerated below. However, our audit was not directed primarily toward obtaining knowledge of noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding LTC noncompliance with the above-referenced terms, covenants, provisions, or conditions of the contractual agreements and regulatory requirements, insofar as they relate to accounting matters. In connection with our audit, we noted no matters regarding LTC's accounting and records to indicate that LTC's did not:

Maintain adequate and effective accounting procedures;

Utilize adequate and fair methods for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts;

Reconcile continuing property records to the controlling general ledger plant accounts (except the Company doesn't have up-to-date plant subsidiary records);

Clear construction accounts and accrue depreciation on completed construction;

Record and properly price the retirement of plant;



Reconcile continuing property records to the controlling general ledger plant accounts (except the Company doesn't have up-to-date plant subsidiary records);

Clear construction accounts and accrue depreciation on completed construction;

Record and properly price the retirement of plant;

Seek approval of the sale, lease or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap;

Maintain adequate control over materials and supplies;

Prepare accurate and timely Financial and Operating Reports;

Obtain written RUS approval to enter into any contract for the management, operation, or maintenance of the borrower's system if the contract covers all or substantially all of the telecommunication system;

Disclose material related party transactions in the financial statements, in accordance with requirements for related parties in generally accepted accounting principles;

Record depreciation in accordance with RUS requirements (See RUS Bulletin 183-1, Depreciation Rates and Procedures);

Comply with the requirements for the detailed schedule of deferred debits and deferred credits; and

Comply with the requirements for the detailed schedule of investments

This report is intended solely for the information and use of the board of directors, management, and the RUS and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Anastacia CPA Group*

Bozeman, Montana

March 1, 2015